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Not Toll Free

OCT 19 1982

Dear Applicant:

This is in reply to your application for exemption from Federal income tax as an organization described in section 501(c)(5) of the Internal Revenue Code of 1954.

Examination of the information submitted discloses that you were incorporated on [REDACTED], under the laws of the State of [REDACTED] as a corporation organized for profit with an authorizing capital stock of \$[REDACTED] consisting of [REDACTED] shares of common stock par value \$[REDACTED] per share.

Article I-2 of the by-laws provides that shares of stock shall be transferrable by endorsement. It is further stated (Article I-6) the Board of Directors may at its discretion, reserve the right to purchase stock for as good a price as said stockholder can obtain elsewhere, or grant permission to the stockholder to sell to the party named in the application.

Minutes from the meeting your organization conducted on [REDACTED] states that the Articles of Association were adopted and that your purpose is to buy, sell, own, re-forest, and otherwise improve and develop land in the State of [REDACTED]; to conduct a ranch or ranches; to follow agricultural pursuits; to buy, sell and own line stock and other personal property in connection therewith, and to do any and all other things necessary to carry out the foregoing purposes. Also that the organization should have an authorized capital stock of \$[REDACTED]; that the amount subscribed and paid in was \$[REDACTED] and that \$[REDACTED] per value of stock should be issued to each said stockholder.

Section 501(c)(5) of the 1954 Code provides for exemption of:
"Labor, agricultural, or horticultural organizations."

Section 501(c)(5)-1(a) of the Income Tax Regulations states, in part, as follows:

(a) The organizations contemplated by section 501(c)(5) as entitled to exemption from income taxation are those which:

(1) Have no net income incurring to the benefit of any member;".

COOP	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
			[REDACTED]				
SUR NAME			[REDACTED]				
DATE			10/19/82				

[REDACTED]

An organization claiming exemption under the above-quoted section of the law must show (1) that it is not organized for profit, and (2) that no income will inure to the benefit of any private shareholder. The legal documents under which you operated show that you have been organized for profit and that the Board of Directors may declare dividends. As you are presently created and organized, earnings are intended to inure to the benefit of a shareholder.

It is clear from the information submitted that you are not organized for non-profit purposes and that as payments are received from the oil well and sale of wood, income is incurring to the benefit of private individuals.

Based upon the evidence presented, it is held that you are not entitled to exemption from Federal income tax under the provisions of section 501(c)(5) of the Internal Revenue Code of 1954. Accordingly, you must continue to file Federal income tax returns on Form 1120.

"If you agree with our findings, please sign the original Form 6018 and return it to us."

If you do not accept our findings, we recommend that you request a conference with a member of our Regional office appeals staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office or, if you request, at any mutually convenient District office.

If we have not received an appeal within 30 days from the date of this letter, your failure to exercise your appeal rights will be considered by the Internal Revenue Service as a failure to exhaust your available administrative remedies. Internal Revenue Code section 7428(b)(2) provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Further instructions concerning protests are contained in the enclosed Publication 892.

Any submissions must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a Power of Attorney and evidence of enrollment to practice must be met.

(3)

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If we do not hear from you within the time specified, this communication will become our final determination.

Sincerely yours,

████████████████████
████████████████████
District Director

Enclosure:
Publication 892
Form 6018